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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

** All papers shall be filed in the Lead
Case, No. 19-30088 (DM).*

Bankruptcy Case No. 19-30088 (DM)

Chapter 11

(Lead Case) (Jointly Administered)

**SECOND SUPPLEMENT TO DEBTORS'
APPLICATION PURSUANT TO 11 U.S.C. §§
363(b) AND 105(a) FOR AUTHORITY TO
ENTER INTO, PERFORM UNDER AND
MAKE PAYMENTS UNDER CERTAIN
CONSULTING CONTRACTS WITH
MCKINSEY & COMPANY, INC. UNITED
STATES**

[No Hearing Date Requested]

1 PG&E Corporation (“**PG&E Corp.**”) and Pacific Gas and Electric Company (the “**Utility**”), as
2 debtors and debtors in possession (collectively, “**PG&E**” or the “**Debtors**”) in the above-captioned
3 chapter 11 cases (the “**Chapter 11 Cases**”), hereby submit this supplement (the “**Second**
4 **Supplement**”) to amend the scope of the engagement of McKinsey & Company Inc. United States
5 pursuant to the *Application of Debtors Pursuant to 11 U.S.C. §§ 363(b) and 105(a) for Authority to*
6 *Enter Into, Perform Under and Make Payments Under Certain Consulting Contracts with McKinsey &*
7 *Company Inc. United States* [Dkt. No. 3919] (the “**Initial Application**”).¹

8 A proposed form of order approving the relief sought in this Second Supplement is attached
9 hereto as **Exhibit A** (the “**Proposed Order**”).

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27 ¹ Defined terms used herein but not otherwise defined shall have the meanings ascribed to such terms
28 in the Initial Application.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

As previously explained, while the Debtors do not believe that McKinsey is performing work as a “professional” in the sense that would typically require an application for employment pursuant to section 327(a) of the Bankruptcy Code, the Debtors filed the Initial Application out of an abundance of caution in order to satisfy McKinsey’s concerns regarding providing such crucial services to the Debtors during their bankruptcy cases without obtaining Court approval. The Debtors hereby file this supplement to update the Court and all parties in interest regarding an additional agreement that was recently entered into between the Debtors and McKinsey in the ordinary course of business that relates to the Initial Application and the Service Contracts.² The Debtors submit that the relief requested herein will benefit the Debtors’ estates and its stakeholders, and is a reasonable exercise of their business judgment.

II. JURISDICTION

The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the “**Bankruptcy Local Rules**”). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

III. BACKGROUND

On January 29, 2019 (the “**Petition Date**”), the Debtors commenced with the Court voluntary cases under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in either of the Chapter 11 Cases. The Debtors’ Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to Bankruptcy Rule 1015(b).

² To the extent that PG&E and McKinsey enter into additional services contracts following submission of this Second Supplement before the Debtors’ plan of reorganization is confirmed, the Debtors will notify the Court of such engagements.

1 On February 12, 2019, the United States Trustee (the “**U.S. Trustee**”) appointed an Official
2 Committee of Unsecured Creditors (the “**Creditors Committee**”). On February 15, 2019, the U.S.
3 Trustee appointed an Official Committee of Tort Claimants (the “**Tort Claimants Committee**” and,
4 together with the Creditors Committee, the “**Committees**”).

5 Additional information regarding the circumstances leading to the commencement of the
6 Chapter 11 Cases and information regarding the Debtors’ businesses and capital structure is set forth in
7 the *Amended Declaration of Jason P. Wells in Support of the First Day Motions and Related Relief*
8 [Docket No. 263].

9 On September 17, 2019, the Debtors filed the Initial Application. The Initial Application
10 sought authority for the Debtors to enter into, perform under, and make payments under three Service
11 Contracts, as may be amended and supplemented from time to time, with McKinsey.

12 On February 26, 2020, the Debtors filed a supplement to the Initial Application (the “**First**
13 **Supplement**”), seeking authority to enter into and perform under certain additional agreements that
14 were entered into between the Debtors and McKinsey in the ordinary course of business relating to the
15 Initial Application and the Service Contracts (the “**Supplemental Agreements**”) [Docket No. 5925].

16 Also on February 26, 2020, the Debtors filed the declaration of Dmitry Krivin, a partner at
17 McKinsey, in support of the Initial Application and the First Supplement [Docket No. 5924].

18 On March 6, 2020, the Court entered a docket text order granting the Initial Application and
19 noting that the Court was “satisfied with the disclosures and the desire of McKinsey for the requested
20 order.”

21 On March 17, 2020, the Court entered an order (the “**Initial Order**”) granting the Initial
22 Application and the First Supplement [Docket No. 6348].

23 As described in more detail herein, following the entry of the Initial Order, the Debtors
24 requested that McKinsey provide certain additional services to supplement those described in the
25 Initial Application and the First Supplement. The Debtors, therefore, submit this Second Supplement
26 to seek entry of the Proposed Order authorizing the Debtors to enter into, and comply with, the License
27 Agreement, the terms of which are described below.
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IV. SCOPE OF THE SECOND SUPPLEMENTAL AGREEMENT

As described herein, the Debtors seek authority to enter into, and comply with, a license agreement with McKinsey (the “**License Agreement**”).³ This agreement, which is unrelated to the chapter 11 restructuring, is consistent with the relief granted in the Initial Order. More specifically, in connection with the Gas Stewardship Service Contract, the Debtors were utilizing certain of McKinsey’s proprietary software, including McKinsey’s program management tool to identify and track various initiatives relating to McKinsey’s services. The program management tool contained in the License Agreement allows PG&E to centrally capture numerous initiatives for improvement, prioritize them, and assign ownership and deadlines, as well as allow collaboration between PG&E’s decision makers and those executing various initiatives. PG&E previously had a three year license to utilize McKinsey’s software in connection with the Gas Stewardship Service Contract, which expired on December 31, 2019. Accordingly, PG&E requested that McKinsey enter into the License Agreement to enable the Debtors to continue to utilize one of McKinsey’s proprietary program management tools. The License Agreement will ensure that the Debtors could further benefit from this proprietary software and the prior valuable services provided by McKinsey, as authorized by the Initial Order. In addition, McKinsey will provide certain support services to assist the Debtors in utilizing the software.

V. PROFESSIONAL COMPENSATION

Pursuant to the License Agreement, the Debtors will be required to make a one time payment of \$156,000 for a one-year extension of McKinsey’s software through December 31, 2020.⁴ The Debtors respectfully request authority to pay the fees contemplated by the License Agreement in the ordinary course of business in accordance with the procedures set forth in the Initial Order. The Debtors respectfully submit that McKinsey’s rates and policies as set forth in the License Agreement and herein are reasonable and appropriate, particularly given the nature of these Chapter 11 Cases.

³ The summary of the License Agreement included in this Second Supplement is provided for purposes of convenience only and is qualified in its entirety by reference to the actual agreement. To the extent of any inconsistency, the terms of the License Agreement shall control.

⁴ The License Agreement reflects a discounted rate provided to PG&E in light of its prior use of the software.

VI. EFFORTS TO AVOID DUPLICATION OF SERVICES

The services provided by McKinsey pursuant to the Initial Application, as supplemented by the First Supplement and herein, will complement, and not duplicate, the services to be rendered by other professionals retained in these Chapter 11 Cases. McKinsey's services relate to the Debtors' ordinary course operations, including obligations to comply with applicable state law, separate and apart from the various restructuring services provided by the other chapter 11 professionals being retained by the Debtors, including AP Services, LLC as restructuring advisor and Lazard Freres & Co. as investment banker. Accordingly, there is no other retained professional that can or will provide the value that McKinsey will provide pursuant to the License Agreement.

VII. NOTICE

Notice of this Supplement will be provided to (i) the Office of the U.S. Trustee for Region 17 (Attn: James L. Snyder, Esq. and Timothy Laffredi, Esq.); (ii) counsel to the Creditors Committee; (iii) counsel to Tort Claimants Committee; (iv) the Securities and Exchange Commission; (v) the Internal Revenue Service; (vi) the Office of the California Attorney General; (vii) the California Public Utilities Commission; (viii) the Nuclear Regulatory Commission; (ix) the Federal Energy Regulatory Commission; (x) the Office of the United States Attorney for the Northern District of California; (xi) counsel for the agent under the Debtors' debtor in possession financing facility; and (xii) those persons who have formally appeared in these Chapter 11 Cases and requested service pursuant to Bankruptcy Rule 2002. The Debtors respectfully submit that no further notice is required.

1 WHEREFORE, the Debtors respectfully request entry of the Proposed Order granting (i) the
2 relief requested in this Second Supplement as a sound exercise of the Debtors' business judgment and
3 in the best interests of their estates, creditors, shareholders, and all other parties' interests, and (ii) such
4 other and further relief as the Court may deem just and appropriate.
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6 Dated: June 15, 2020

WEIL, GOTSHAL & MANGES LLP

KELLER BENVENUTTI KIM LLP

By: /s/ Thomas B. Rupp

*Attorneys for Debtors
and Debtors in Possession*